

# management's discussion and analysis

## Management's Discussion and Analysis

Set out below is a review of the activities, results of operations and financial condition of Uranium One Inc. ("Uranium One") and its subsidiaries (collectively, the "Corporation") for the three months ended March 31, 2010, together with certain trends and factors that are expected to impact the rest of its 2010 financial year. Information herein is presented as of May 7, 2010 and should be read in conjunction with the interim consolidated financial statements of the Corporation for the three months ended March 31, 2010 and the notes thereto (referred to herein as the "consolidated financial statements"). The Corporation's consolidated financial statements and the financial data set out below have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All amounts are in US dollars and tabular amounts are in thousands, except where otherwise indicated. Canadian dollars are referred to herein as C\$. Australian dollars are referred to herein as A\$.

References herein to "Q1 2009" and "Q1 2010" refer to the three months ended March 31, 2009 and March 31, 2010, respectively. All references herein to pounds are pounds of U<sub>3</sub>O<sub>8</sub>.

The common shares of Uranium One are listed on the Toronto and Johannesburg stock exchanges ("TSX" and "JSE", respectively). Uranium One's convertible unsecured subordinated debentures due December 31, 2011 and March 13, 2015 are also listed on the TSX.

Additional information about the Corporation and its business and operations can be found in its continuous disclosure documents. These documents, including the consolidated financial statements and the Corporation's annual information form, are filed with Canadian securities regulatory authorities and are available under the Corporation's profile at [www.sedar.com](http://www.sedar.com).

*This Management's Discussion and Analysis includes certain forward-looking statements. Please refer to "Forward-Looking Statements and Other Information".*

## HIGHLIGHTS

### *Operational*

- Total attributable production during Q1 2010 was a record 1,753,700 pounds, 147% higher than total attributable production of 708,500 pounds during Q1 2009.
- The average total cash cost per pound sold was \$19 per pound during Q1 2010, compared to the average cash cost per pound sold of \$17 per pound during Q1 2009.
- The Akdala Uranium Mine achieved attributable production during Q1 2010 of 489,900 pounds; total cash costs for Q1 2010 were \$13 per pound sold.
- Production at the South Inkai Uranium Mine is ramping up as expected and South Inkai achieved attributable production during Q1 2010 of 771,700 pounds; total cash costs for Q1 2010 were \$23 per pound sold.
- Production at the Karatau Uranium Mine is ramping up as expected and Karatau achieved attributable production during Q1 2010 of 458,600 pounds; total cash costs for Q1 2010 were \$12 per pound sold.
- At the Kharasan Uranium Project, development of test blocks in new geological horizons is continuing; production during the commissioning process from the initial mining area was 33,500 pounds attributable to the Corporation during Q1 2010.

### *Financial*

- Attributable sales volumes for Q1 2010 decreased by 13% to 764,400 pounds, compared to 880,600 pounds during Q1 2009.
- The average realized sales price during Q1 2010 was \$46 per pound, generating revenue of \$36 million, compared to an average realized sales price of \$49 per pound during Q1 2009, generating revenue of \$43 million.
- Earnings from mine operations were \$8.9 million during Q1 2010, a 44% decrease from earnings from mine operations of \$15.9 million in Q1 2009, mainly due to a decrease in the pounds sold, a decrease in the average realized sales price per pound, and the inclusion of a fair value adjustment in cost of sales resulting from the Karatau acquisition.
- Attributable inventory increased from 2,110,500 pounds at December 31, 2009 to 3,033,000 pounds at March 31, 2010.

### *Corporate*

- Completion of a convertible debenture financing with a Japanese consortium and receipt of aggregate proceeds of approximately C\$270 million on January 14, 2010.
- Completion of a bought deal financing with a syndicate of underwriters for C\$260 million aggregate principal amount of convertible unsecured subordinated debentures, including C\$10 million from an over-allotment option, on March 12, 2010.
- Completion in January 2010 of the acquisition of Christensen Ranch and Irigaray in Wyoming for \$35 million in cash.
- Completion in April 2010 of the sale of the Dominion Uranium Mine in South Africa for cash proceeds of \$37.3 million.

## OUTLOOK

- The total attributable production guidance for 2010 remains unchanged at 6.8 million pounds consisting of 1.8 million pounds from Akdala; 2.5 million pounds from South Inkai; 2.3 million pounds from Karatau; 0.1 million pounds from Kharasan; and 0.1 million pounds from Honeymoon. Attributable production for 2011 is estimated to be 8.0 million pounds. This includes initial production from the Powder River Basin in Wyoming.
- During 2010, the average cash cost per pound sold is expected to be approximately \$14 per pound at Akdala and Karatau and \$20 per pound at South Inkai.
- The Corporation currently has contracts for the sale of an aggregate of 26 million attributable pounds, 13 million pounds of which are contracted with weighted average floor prices of approximately \$47 per pound. The remainder of contracted attributable sales are not subject to floors and such sales are related to the market price of U<sub>3</sub>O<sub>8</sub>, except for 5 million pounds, which will be sold at an average fixed price of \$65 per pound, subject to escalation.
- The Corporation expects that the current political uncertainty in Kyrgyzstan, where some of Betpak Dala's production is calcined, will result in short term delays in the shipment of product from Kyrgyzstan. The Corporation does not expect any impact on its sales figures for the year, with stronger sales in the second half of the year if deliveries are delayed in Q2 2010. The Corporation expects to cover any delivery delays through current and future uranium loans.
- The Corporation expects to sell approximately 6 million attributable pounds in 2010. The Corporation has already contracted for the sale of 3.6 million attributable pounds in 2010, of which 1.3 million pounds have weighted average floor prices of approximately \$44 per pound.
- Uranium One's attributable capital expenditure in 2010 is expected to be \$22 million at South Inkai and \$18 million at Akdala. Attributable capital expenditure at Karatau is expected to be \$25 million in 2010. It is expected that Betpak Dala will fund capital expenditure from cash flow from operations. Karatau is expected to fund capital expenditure through short term loans and from cash flow from operations.
- Uranium One's attributable capital expenditures at Kharasan in 2010 are expected to be \$8 million. The Corporation has committed funding of \$19 million in 2010 towards the construction of a sulphuric acid plant in Kazakhstan by SKZ-U Limited Liability Partnership ("SKZ-U").
- In addition to the funds received from Mitsui for the sale of the interest in Honeymoon, the Corporation expects to contribute an estimated \$25 million to the Honeymoon joint venture in 2010 to fund its share of Honeymoon's estimated expenditure in 2010. The estimated funding required by Honeymoon for 2010 has increased by \$21 million (on a 100% basis) as a result of a delay in the anticipated timing for initial sales of product into 2011. The total estimated construction cost is unchanged at A\$138 million.
- In 2010, the Corporation expects to incur capital expenditures of \$35 million for the development of its assets in Wyoming, including Christensen Ranch and Irigaray.
- In 2010, general and administrative expenses, excluding stock-based compensation, are expected to be approximately \$29 million; exploration expenses are expected to be \$7 million; and care and maintenance costs are expected to be \$1 million.

## KEY STATISTICS

<b>TOTAL ATTRIBUTABLE PRODUCTION</b>	<b>Q1 2010</b>	<b>Q4 2009</b>	<b>Q3 2009</b>	<b>Q2 2009</b>	<b>Q1 2009</b>
<b>Attributable commercial production (lbs)</b>					
Akdala	489,900	531,100	464,200	438,800	455,800
South Inkai	771,700	547,000	343,000	376,700	245,100
Karatau	458,600	73,100 <sup>(1)</sup>	-	-	-
<b>Subtotal</b>	<b>1,720,200</b>	<b>1,151,200</b>	<b>807,200</b>	<b>815,500</b>	<b>700,900</b>
<b>Attributable production during commissioning (lbs)</b>					
Kharasan	33,500	28,200	27,600	18,300	7,600
<b>Total attributable production</b>	<b>1,753,700</b>	<b>1,179,400</b>	<b>834,800</b>	<b>833,800</b>	<b>708,500</b>

Notes:

<sup>(1)</sup> Karatau was acquired on December 21, 2009. Karatau's production in Q4 2009 therefore represents the period from acquisition to December 31, 2009.

## FINANCIAL

	<b>Q1 2010</b>	<b>Q1 2009</b>
Attributable production (lbs) <sup>(1)</sup>	1,720,200	700,900
Attributable sales (lbs) <sup>(1)</sup>	764,400	880,600
Average realized sales price (\$ per lb) <sup>(2)</sup>	46	49
Average cash cost of production sold (\$ per lb) <sup>(2)</sup>	19	17
Revenues (\$ millions)	35.5	43.0
Earnings from mine operations (\$ millions)	8.9	15.9
Net (loss) / earnings from continuing operations (\$ millions)	(21.5)	63.4
(Loss) / earnings per share from continuing operations – basic and diluted (\$ per share)	(0.04)	0.13
Loss from discontinued operations (\$ millions)	-	(2.2)
Loss per share from discontinued operations – basic and diluted (\$ per share)	-	(0.00)
Net (loss) / earnings (\$ millions)	(21.5)	61.1
Net (loss) / earnings per share – basic and diluted (\$ per share)	(0.04)	0.13
Adjusted net loss (\$ millions) <sup>(2)</sup>	(19.2)	(5.5)
Adjusted net loss per share – basic (\$ per share) <sup>(2)</sup>	(0.03)	(0.01)

Notes:

<sup>(1)</sup> Attributable production and sales are from assets owned and in commercial production during the period (For Q1 2010: Akdala, South Inkai and Karatau; for Q1 2009: Akdala and South Inkai only).

<sup>(2)</sup> The Corporation has included non-GAAP performance measures: average realized sales price per pound, cash cost per pound sold, adjusted net earnings and adjusted net earnings per share. In the uranium mining industry, these are common performance measures but do not have any standardized meaning, and are non-GAAP measures. The Corporation believes that, in addition to conventional measures prepared in accordance with GAAP, the Corporation and certain investors use this information to evaluate the Corporation's performance and ability to generate cash flow. The additional information provided herein should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. See "Non-GAAP Measures".

## OVERVIEW

Uranium One is a Canadian corporation engaged through subsidiaries and joint ventures in the mining and production of uranium, and in the acquisition, exploration and development of properties for the production of uranium in Kazakhstan, the United States, Australia and Canada.

Through the Betpak Dala joint venture, Uranium One owns a 70% interest in the Akdala and South Inkai Uranium Mines in Kazakhstan. The Corporation holds a 50% interest in the Karatau joint venture, which owns the Karatau uranium mine in Kazakhstan, and a 30% interest in the Kyzylkum joint venture, which owns the Kharasan Project in Kazakhstan. In the United States, the Corporation owns projects in the Powder River and Great Divide Basins in Wyoming. The Corporation owns a 51% interest in the Honeymoon Uranium Project in Australia. The Corporation owns, either directly or through joint ventures, a large portfolio of uranium exploration properties in the western United States, South Australia and Canada. The Corporation owns a 19% interest in the SKZ-U joint venture, which is constructing a sulphuric acid plant in Kazakhstan.

The following are the Corporation's principal mineral properties and operations (discussed in more detail below):

### Operating mines

Entity	Mine	Location	Status	Ownership
Betpak Dala LLP	Akdala Uranium Mine	Kazakhstan	Producing	70% J.V. interest
Betpak Dala LLP	South Inkai Uranium Mine	Kazakhstan	Producing	70% J.V. interest
Karatau LLP	Karatau Uranium Mine	Kazakhstan	Producing	50% J.V. interest

### Advanced development project

Entity	Project	Location	Status	Ownership
Kyzylkum LLP	Kharasan Uranium Project	Kazakhstan	Commissioning <sup>(1)</sup>	30% J.V. interest

The Corporation is also developing the following mineral properties:

Entity	Project	Location	Status	Ownership
Uranium One Americas, Inc.	Powder River Basin, Wyoming (Irigaray, Christensen Ranch, Moore Ranch, Ludeman, Allemand-Ross, and Barge)	USA	Development	100% interest
Uranium One Americas, Inc.	Great Divide Basin, Wyoming (JAB and Antelope)	USA	Development	100% interest
Uranium One Australia (Proprietary) Ltd.	Honeymoon Uranium Project	Australia	Development	51% J.V. interest

#### Notes:

- <sup>(1)</sup> The Kharasan Uranium Project has commenced production but is in the commissioning stage. Commissioning will be completed when a pre-defined operating level, based on the design of the plant, is maintained and the Kazakhstan Government has issued an operating license.

## REVIEW OF OPERATIONS

### AKDALA URANIUM MINE

Akdala is an operating acid in situ recovery ("ISR") uranium mine located in the Suzak region of South Kazakhstan, owned indirectly as to 70% by the Corporation through the Betpak Dala joint venture, a Kazakhstan registered limited liability partnership ("Betpak Dala"). The other 30% interest is owned by JSC NAC Kazatomprom ("Kazatomprom"), a Kazakhstan state-owned company responsible for the mining and exporting of uranium in Kazakhstan.

Pursuant to the terms of its subsoil use contract, the permitted production rate at the Akdala Mine is 2,600,000 pounds (1,000 tonnes uranium ("U")) per year.

**Production:** Akdala produced 699,800 pounds (269 tonnes U) during Q1 2010, of which 489,900 pounds (188 tonnes U) is attributable to the Corporation.

**Operations:** The following is a summary of the operational statistics (100%) for Akdala over the last four quarters:

	Total wells completed (including production wells)	Average no. of production wells in operation	Average flow rate (m <sup>3</sup> /hour)	Concentration in solution (mg U/l)	Production (lbs)
Q2 2009	58	190	1,386	81.0	626,900
Q3 2009	65	191	1,608	73.1	663,100
Q4 2009	21	219	1,883	68.0	758,700
Q1 2010	54	219	1,828	75.7	699,800

A total of 54 wells were installed during Q1 2010. The program for 2010 provides for the installation of 270 wells to achieve the production target for the year.

A new production block was acidified and put into production in Q1 2010. The block is performing well and the initial flow rate was 160 m<sup>3</sup> per hour with a concentration of 112 mg U per litre.

Akdala contracted an engineering company in Kazakhstan to design a satellite plant to facilitate treatment of solutions from production blocks located approximately 11 kilometres to the east of the current central processing facilities in an area known as Letniy. The engineering company is expected to complete the detailed design of the satellite plant during Q2 2010. Construction of the satellite plant is scheduled to commence in 2010 and is expected to cost approximately \$19 million with completion of construction planned for 2011. Production from new well fields in the Letniy area is expected to commence in 2011.

Capital expenditure incurred by Betpak Dala at Akdala in 2010 is expected to be \$26 million on a 100% basis, of which \$0.9 million was spent in Q1 2010, mostly for wellfield development. Capital expenditure in 2010 is planned to be spent on the construction of satellite plant, fixed asset purchases and on wellfield development.

## AKDALA URANIUM MINE - continued

**Financial information:** The following table shows the attributable production, sales and production cost trends for Akdala over the prior eight quarters:

(All figures are the Corporation's attributable share)	3 months ended							
	Mar 31, 2010	Dec 31, 2009	Sep 30, 2009	Jun 30, 2009	Mar 31, 2009	Dec 31, 2008	Sep 30, 2008	Jun 30, 2008
Production in lbs	489,900	531,100	464,200	438,800	455,800	524,400	482,400	435,300
Sales in lbs	212,500	710,400	259,000	210,100	355,600	393,900	848,100	685,600
Inventory in lbs	936,000	666,600	849,300	655,100	430,400	345,000	232,800	620,500
Revenues (\$000's)	8,763	32,754	12,936	9,985	18,410	21,146	56,723	49,390
Operating expenses (\$000's)	2,823	8,621	3,047	2,731	4,714	5,918	11,793	9,487
Operating expenses (\$/lb sold)	13	12	12	13	13	15	14	14
Depreciation and depletion (\$000's)	2,191	7,193	2,863	2,498	4,145	4,370	8,305	6,960
Depreciation and depletion (\$/lb sold)	10	10	11	12	12	11	10	10

Uranium revenues are recorded upon delivery of product to utilities and intermediaries and do not occur evenly throughout the year. Timing of deliveries is usually at the contracted discretion of customers within a quarter or similar time period. Annual sales of product from a mine, which is normally achieved from opening inventory plus a percentage of forecast production for the year, does not always occur evenly throughout the year and can vary significantly from quarter to quarter as illustrated in the table above.

Changes in revenues, net earnings / loss and cash flow are therefore affected primarily by fluctuations in contracted deliveries of product from quarter to quarter, as well as by changes in the price of uranium.

Operating expenses are directly related to the quantity of U<sub>3</sub>O<sub>8</sub> sold and are lower in periods when the quantity of U<sub>3</sub>O<sub>8</sub> sold is lower. There is a corresponding build-up of inventory in periods when the quantity of U<sub>3</sub>O<sub>8</sub> sold is lower.

The cash cost of production for Q1 2010 at \$13 per pound sold is in line with the Corporation's guidance of \$14 per pound sold for 2010.

## SOUTH INKAI URANIUM MINE

South Inkai is an operating ISR uranium mine located in the Suzak region of South Kazakhstan, owned indirectly as to 70% by the Corporation through the Betpak Dala joint venture. The other 30% interest is held by Kazatomprom.

The design capacity of the South Inkai mine is 5,200,000 pounds (2,000 tonnes U) per year. It is expected that the annualized rate of production will reach this level in 2011.

**Production:** Production from South Inkai was 1,102,400 pounds (424 tonnes U) in Q1 2010, of which 771,700 pounds (297 tonnes U) is attributable to the Corporation.

**Operations:** The following is a summary of the operational statistics (100%) for South Inkai over the last four quarters:

	Total wells completed (including production wells)	Average no. of production wells in operation	Average flow rate (m <sup>3</sup> /hour)	Concentration in solution (mg U/l)	Production (lbs)
Q2 2009	85	94	1,000.6	96.3	538,300
Q3 2009	156	128	1,249.0	69.4	489,900
Q4 2009	52	186	1,776.9	74.3	781,500
Q1 2010	71	228	2,059.0	103.6	1,102,400

A total of 71 wells were installed during Q1 2010. The program for 2010 provides for the installation of 315 wells to achieve the production target for the year.

Production at South Inkai is ramping up as expected and concentrations of uranium in solution are increasing as new production blocks are brought on line.

Two production blocks were acidified and put into production in Q1 2010. The blocks are performing well and the respective initial flow rates were 170 m<sup>3</sup> per hour and 222m<sup>3</sup> per hour, with a concentration of 162 mg U per litre and 79 mg U per litre, respectively.

Two yellowcake dryers were procured and received during 2009. Commissioning of the drying circuit is expected to be completed during Q3 2010. Contracts for processing and calcining of product offsite are in place with two external processing facilities while the drying circuit is being commissioned and licensed.

Capital expenditure incurred by Betpak Dala at South Inkai in 2010 is expected to be \$32 million on a 100% basis, of which \$4.8 million was spent in Q1 2010. Capital expenditure incurred in 2010 is primarily related to wellfield development.

**Financial information:** The following table shows the attributable production, sales and production cost trends for South Inkai since the commencement of commercial production on January 1, 2009:

(All figures are the Corporation's attributable share)	3 months ended				
	Mar 31, 2010	Dec 31, 2009	Sep 30, 2009	Jun 30, 2009	Mar 31, 2009
Production in lbs	771,700	547,000	343,000	376,700	245,100
Sales in lbs	420,100	535,700	164,100	175,000	525,000
Inventory in lbs	1,230,100	903,900	897,700	729,500	532,500
Revenues (\$000's)	21,175	25,669	8,397	8,572	24,559
Operating expenses (\$000's)	9,715	11,203	3,284	3,994	10,297
Operating expenses (\$/lb sold)	23	21	20	23	20
Depreciation and depletion (\$000's)	6,259	8,779	2,713	2,753	7,886
Depreciation and depletion (\$/lb sold)	15	16	17	16	15

The cash cost of production at South Inkai for Q1 2010 was \$23 per pound sold. During the ramp-up to design capacity of 2,000 tonnes U per year, unit costs of production at South Inkai are expected to be higher than the costs during a steady state of operation. This is primarily due to the fact that sulphuric acid used to acidify production blocks is expensed in the period of acidification. The Corporation expects that the cash cost of production sold will decrease over time from current levels as the production ramp-up continues.

## KARATAU URANIUM MINE

Karatau is an operating ISR uranium mine located in the Chu Sary Su basin in the Suzak region, Shymkent Oblast, owned indirectly as to 50% by the Corporation through the Karatau joint venture. The other 50% interest is held by Kazatomprom.

The design capacity of the Karatau mine is 5,200,000 pounds (2,000 tonnes U) per year. It is expected that the annualized rate of production will reach this level in 2010.

**Production:** Production from Karatau was 917,300 pounds (353 tonnes U) in Q1 2010, of which 458,600 pounds (176 tonnes U) is attributable to the Corporation.

**Operations:** The following is a summary of the operational statistics (100%) for Karatau since acquisition:

	Total wells completed (including production wells)	Average no. of production wells in operation	Average flow rate (m <sup>3</sup> /hour)	Concentration in solution (mg U/l)	Production (lbs)
Q4 2009 <sup>(1)</sup>	6	88	1,186	211.0	146,200
Q1 2010	-	90	865	204.9	917,300

Note:

<sup>(1)</sup> Since the acquisition date of December 21, 2009.

The well installation program, which is expected to commence during Q2 2010, provides for the installation of 230 wells to achieve the production target for the year.

Production at Karatau is ramping up as expected and acidification of two production blocks commenced during the quarter. The blocks were commissioned in April 2010.

Karatau will be able to sell the material treated in its refining facility after an inspection by government agencies in Kazakhstan (the "State Inspection") and receipt of approval of the facility by the relevant government agency. With the reorganisation of certain government ministries in Kazakhstan earlier this year, the State Inspection was postponed and has been rescheduled with the new Ministry of Industry and New Technologies ("MINT"). It is expected that the State Inspection will take place in Q2 2010, with receipt of the approval of the refining facility, and therefore shipment of product, in Q3 2010.

Capital expenditure incurred by Karatau in 2010 is expected to be \$49 million on a 100% basis, of which \$6.0 was spent during Q1 2010. Capital expenditure incurred during 2010 is for wellfield development, infrastructure development and expansion of processing capacity to fulfill toll milling arrangements.

**Financial information:** The following table shows the attributable production, sales and production costs for Karatau since the acquisition of Karatau on December 21, 2009:

(All figures are the Corporation's attributable share)	3 months ended	Period ended
	Mar 31, 2010	Dec 31, 2009 <sup>(1)</sup>
Production in lbs	458,600	73,100
Sales in lbs	131,800	252,800
Inventory in lbs	866,900	540,000
Revenues (\$000's)	5,591	10,710
Operating expenses (\$000's)	1,632	3,130
Operating expenses (\$/lb sold)	12	12
Depreciation and depletion (\$000's)	4,015	7,553
Depreciation and depletion (\$/lb sold)	30	30

Note:

<sup>(1)</sup> Attributable values since the acquisition date of December 21, 2009

Depreciation and depletion includes fair value adjustments recognized against finished product on hand on the acquisition date. The fair value adjustment is recognised as non-cash depreciation and depletion with the subsequent sale of the inventory. The Corporation expects depreciation and depletion per pound sold to decrease to approximately \$18 per pound sold after the revalued finished product on hand at acquisition date has been sold.

The cash cost of production for Q1 2010 at \$12 per pound sold for Q1 2010 is in line with the Corporation's guidance of \$14 per pound sold for 2010.

## REVIEW OF DEVELOPMENT PROJECTS - KAZAKHSTAN

### KHARASAN URANIUM PROJECT

Kharasan is an ISR uranium development project located in the Suzak region of South Kazakhstan, owned indirectly as to 30% by the Corporation through the Kyzylkum joint venture ("Kyzylkum"), a Kazakhstan registered limited liability partnership. The remaining interests are owned as to 30% by Kazatomprom and as to 40% by Energy Asia (BVI) Ltd., which is owned by a consortium of Japanese utilities and a trading company.

The design capacity of Kharasan is 5,200,000 pounds (2,000 tonnes U) per year, with a current installed capacity of 2,600,000 pounds (1,000 tonnes U) per year.

**Production in commissioning:** Production in commissioning from Kharasan was 111,800 pounds (43 tonnes U) during Q1 2010, of which 33,500 pounds (13 tonnes U) is attributable to the Corporation.

**Operations:** The following is a summary of the operational statistics for Kharasan (on a 100% basis) over the last four quarters:

	Drill rigs on site <sup>(1)</sup>	Total wells completed (including production wells)	Average no. of production wells in operation	Average flow rate (m <sup>3</sup> /hour)	Concentration in solution (mg U/l)	Production (lbs)
Q2 2009	10	72	49	213.0	51.3	61,100
Q3 2009	7	55	69	284.1	56.6	91,900
Q4 2009	5	21	66	328.9	48.8	93,900
Q1 2010	4	30	70	423.8	50.9	111,800

Note:

<sup>(1)</sup> As at end of quarter for well field development

Acidification of an additional production block in the existing mining area commenced during Q1 2010 to maintain the current level of production. The existing production blocks at Kharasan continued to perform in line with production levels experienced in 2009.

A total of 30 new wells have been prepared for test mining in test blocks 1 and 3 in the Campan and the Santon ore horizons, including 6 production wells. Stainless steel screens with little deviation from specified screen slot size were installed in the new wells. The acidification of test blocks 1 and 3 is expected to commence in Q2 2010, with preliminary production expected in Q3 2010.

**Project finance facilities:** In addition to the original \$80 million loan from the Corporation, Kyzylkum negotiated unsecured bank loan facilities in 2007 and 2008 totalling \$160 million. One facility, in the amount of \$70 million, was obtained from JBIC and the other facility, in the amount of \$90 million, was obtained from Citibank. These facilities were fully drawn down as at March 31, 2010 with repayments scheduled to commence in September 2010.

As the Corporation proportionately consolidates its 30% interest in Kyzylkum, the Corporation's share of the third party facility amounts to \$48 million. These loan facilities have floating interest rates of LIBOR plus 0.25% and 0.35%, respectively. The original \$80 million loan from the Corporation (principal of \$35 million outstanding as at March 31, 2010) must be repaid in full before the JBIC and Citibank facilities can be repaid. Negotiations are currently under way to extend the repayment terms of these facilities, due to the delayed ramp-up schedule at Kharasan. While the negotiations for additional funding are in progress, Kyzylkum is being financed through the receipt of pre-payments on its sales contracts with Kazatomprom.

## **SULPHURIC ACID SUPPLY IN KAZAKHSTAN**

In Kazakhstan, ISR uranium operations are highly dependent on sulphuric acid for the extraction of uranium from the host ore body. The supply of sulphuric acid is therefore of critical importance to the Corporation's operations in Kazakhstan.

Sulphuric acid supply to Betpak Dala, Karatau and Kyzylkum was more than sufficient for operations to achieve production targets in 2009. Although the supply of sulphuric acid is not a cause of immediate concern to the Corporation, the Corporation has identified logistical and transport issues which influence the availability of sulphuric acid to its mines. With the ongoing increase in uranium production in Kazakhstan, the ability to handle supplies, in particular sulphuric acid, is limited by storage capacity at transshipment locations. In Q1 2010, sulphuric acid deliveries were affected by a weather related blockage of the rail line in Eastern Kazakhstan and sulphuric acid deliveries to Uranium One's mines were lower than expected. The sulphuric acid supply was restored in a reasonable time frame and there has been no long term impact on uranium production for 2010 for Uranium One operations. The Corporation is currently investigating options to finance additional facilities to handle increased volumes of sulphuric acid and other materials.

The Corporation's SKZ-U joint venture with Kazatomprom and its other joint venture partners continue to advance the development of a sulphuric acid plant near Kharasan at Zhanakorgan. The Corporation's ownership percentage in SKZ-U is 19%. The total construction cost of the plant is expected to be approximately \$217 million, of which approximately 30% has been funded by the joint venture partners to date, with the balance to be funded by the partners through debt financing. Construction of the plant is expected to be completed by the end of 2011. The Corporation has contributed \$14.4 million to date towards the construction of the sulphuric acid plant and expects to contribute a further \$19 million during 2010, with the balance of approximately \$8 million to be funded in 2011.

Desmet Ballestra and Soyuzcomplect have completed the designs for the engineering work for the plant. Equipment orders have been placed and materials and equipment are arriving on site. The turbine has been manufactured and is ready to be shipped from Europe. Construction of infrastructure facilities such as the access road, enclosed warehouse storage, rail spur, temporary camps, power and water supply are complete. Civil work for the plant area has been completed. The construction of a water pond is also complete with the piping to be placed during the plant construction stage.

## **PROCESSING FACILITIES IN KYRGYZSTAN**

Final processing and calcining of South Inkai and Akdala's product is currently performed by external processing facilities. Due to the increased production of  $U_3O_8$  in Kazakhstan, there is limited capacity with external processing facilities available in Kazakhstan and Betpak Dala has entered into contracts for processing and calcining of some of its product with an external processing facility situated in Kyrgyzstan. Due to the political uncertainty currently experienced in Kyrgyzstan, the Corporation has experienced delays with exporting some of its product from Kyrgyzstan.

Betpak Dala is currently installing a drying circuit at South Inkai, which is expected to be commissioned and licensed in Q3 2010. Production from the South Inkai and Akdala mines will be processed at the South Inkai processing facility. The Karatau mine has its own processing facility which is in the process of being licensed. Once these on-site drying and processing facilities are commissioned and licensed, Akdala, South Inkai and Karatau will no longer need to make use of external processing facilities.

The Corporation expects to cover any delivery delays through current and future uranium loans.

## **MINISTRY OF INDUSTRY AND NEW TECHNOLOGIES**

During March 2010, the Kazakh government reorganized several government departments, including changes to the responsibilities of the Ministry of Energy and Mineral Resources ("MEMR"). The MEMR's responsibilities were divided between the newly formed Ministry of Oil and Gas, responsible for oil and gas resources, with the Ministry for Industry and New Technologies taking responsibility for the uranium industry.

## REVIEW OF DEVELOPMENT PROJECTS – UNITED STATES

### POWDER RIVER BASIN, WYOMING

The Powder River Basin in Wyoming hosts several of the Corporation's uranium projects. On January 25, 2010, the Corporation completed the acquisition of 100% of the MALCO Joint Venture ("MALCO") from wholly-owned subsidiaries of AREVA and Électricité de France ("EDF"). The assets of MALCO are located in Johnson and Campbell Counties in the Powder River Basin and include the licensed and permitted Irigaray ISR central processing plant, the Christensen Ranch satellite ISR facility and associated uranium ore bodies. Uranium One expects that initial production from the Christensen Ranch project will commence in 2011.

The Irigaray central processing plant currently has the capacity to process approximately 1.3 million pounds of dried  $U_3O_8$  per year. The Corporation plans to expand the processing capacity at Irigaray in line with the Nuclear Regulatory Commission licensed capacity of 2.5 million pounds per year, by incorporating a vacuum dryer that was purchased for use at the Corporation's Moore Ranch project. The Moore Ranch Project, also located in Campbell County, 25 miles east of Edgerton, Wyoming, is expected to become a satellite ISR facility with uranium laden resin transported to Irigaray for final processing. Uranium extraction is planned to commence at Moore Ranch in 2012.

The U.S. Nuclear Regulatory Commission ("NRC") and the Wyoming Department for Environmental Quality ("WDEQ") are currently completing technical reviews of the Corporation's applications to build and operate an in situ uranium recovery facility at the Moore Ranch project. The NRC published a supplemental environmental impact statement ("SEIS") on December 11, 2009, and received comments from the U.S. Environmental Protection Agency and non-governmental organizations on the SEIS in March 2010. The NRC is currently developing a response to the comments raised. The Corporation expects to receive the final license and permit to build and operate an in situ uranium recovery facility at Moore Ranch in mid-2010.

License and permit applications for the Ludeman project in Converse County were submitted to the NRC and WDEQ in early 2010. The Ludeman project will be licensed as a satellite operation that can feed a central processing plant such as Irigaray.

The Corporation also conducted additional delineation drilling at its Ludeman and Allemand-Ross properties during Q1 2010. A total of 247 delineation holes were drilled (234,000 feet) at Ludeman during the quarter. Delineation drilling and data collection for permitting purposes was conducted at the Allemand-Ross project during Q1 2010. A total of 56 delineation holes were drilled (81,058 feet). Baseline characterization at Allemand-Ross is complete with the exception of the hydrologic characterization testing which will commence in Q2 2010.

In total, capital expenditure of approximately \$34 million is planned in 2010 for the Corporation's Powder River Basin properties, of which \$3.3 million was spent during Q1 2010.

## REVIEW OF DEVELOPMENT PROJECTS – AUSTRALIA

### HONEYMOON URANIUM PROJECT

The Honeymoon Uranium Project is located in South Australia, approximately 75 kilometres northwest of the city of Broken Hill, New South Wales. The Corporation owns 51% of the Honeymoon Uranium Project Joint Venture, which owns the Honeymoon Uranium Project. The remaining 49% of the joint venture is owned by Mitsui & Co., Ltd, ("Mitsui") who, in October 2008, committed A\$104 million towards the purchase of its interest in Uranium One Australia's business and the development of the Honeymoon Uranium Project.

The project has a design capacity of 880,000 pounds per year, with an expected mine life (including production ramp-up) of six years. The current capital expenditure estimate for the Honeymoon project, including contingencies, is A\$138 million (on a 100% basis). As at March 31, 2010, a total of A\$106.8 million has been spent (on a 100% basis), of which A\$20.4 was spent during Q1 2010.

Pursuant to the terms of the Honeymoon joint venture agreement, the Corporation committed up to A\$49.8 million of the proceeds from the investment by Mitsui to fund its share of Honeymoon's development expenditures. Mitsui will fund its proportionate share of the capital expenditure.

## **CORPORATE**

### **C\$250 MILLION BOUGHT DEAL FINANCING OF CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES**

The Corporation announced on February 18, 2010 that it had entered into an agreement for a bought deal financing with a syndicate of underwriters, led by GMP Securities L.P. and including Canaccord Financial Ltd., BMO Capital Markets, CIBC World Markets Inc., RBC Capital Markets and Paradigm Capital Inc. for C\$250,000,000 aggregate principal amount of convertible unsecured subordinated debentures (the "2010 Debentures") together with an over-allotment option of up to C\$37,500,000, of which C\$10,000,000 was exercised when the offering closed on March 12, 2010, resulting in a total receipt of C\$260,000,000.

The 2010 Debentures mature on March 13, 2015, with interest payable at a rate of 5.0% per annum, payable semi-annually from the date of receipt of all necessary Kazakh approvals for the conversion of the 2010 Debentures, or at a rate of 7.5% per annum, payable semi-annually before the receipt of the necessary Kazakh approvals. The 2010 Debentures are convertible into common shares of the Corporation after receipt of all necessary Kazakh approvals, at a rate of 250 common shares per C\$1,000 principal amount and have a conversion price of C\$4.00 per common share.

The Corporation intends to use the net proceeds for potential acquisitions, to finance its operations and development projects and for working capital.

### **ISSUANCE OF CONVERTIBLE DEBENTURES TO JAPANESE CONSORTIUM**

On February 9, 2009, Uranium One entered into a subscription agreement with Japan Uranium Management Inc ("JUMI"), a special purpose corporation formed by The Tokyo Electric Power Company, Incorporated ("TEPCO"), Toshiba Corporation, and JBIC (collectively the "Japanese Consortium"), providing for the private placement of an aggregate of 117,000,000 common shares of Uranium One, for gross proceeds of approximately C\$270 million.

On December 29, 2009 Uranium One Inc and JUMI executed documentation revising the February 9, 2009 private placement between the Corporation and JUMI, to a debenture financing.

Under the revised terms of the private placement, on January 14, 2010 Uranium One issued to JUMI C\$269,100,000 aggregate principal amount of 3% unsecured convertible debentures ("JUMI Debentures") maturing ten years from the date of issue. The JUMI Debentures will automatically convert into 117,000,000 Uranium One common shares on receipt of required Kazakh regulatory approval, which is expected during 2010. If such approval is not received, the holder may, on 12 months' notice, cause the debentures to be redeemed at par plus accrued and unpaid interest. Such redemption may not occur before the second anniversary of the closing (January 2012).

Upon conversion of the JUMI Debentures, the Japanese Consortium will have a 16.6% equity stake in Uranium One.

### **ACQUISITION OF CHRISTENSEN RANCH AND IRIGARAY IN WYOMING**

On August 7, 2009, the Corporation entered into a definitive agreement to acquire 100% of MALCO from wholly-owned subsidiaries of AREVA and EDF for \$35 million in cash.

The assets of MALCO include the licensed and permitted Irigaray ISR central processing plant, the Christensen Ranch satellite ISR facility and associated U<sub>3</sub>O<sub>8</sub> resources located in the Powder River Basin of Wyoming.

The Irigaray and Christensen Ranch facilities are expected to form the basis of a new operating plan for the Corporation's projects in Wyoming. Uranium One anticipates that its Moore Ranch project will now become a satellite ISR operation, with loaded resins being transported to Irigaray for further processing into dried U<sub>3</sub>O<sub>8</sub>. Uranium One's additional projects in the Powder River Basin, including Ludeman, Allemand-Ross and Barge could also be developed as satellite operations with final processing through Irigaray.

The Committee on Foreign Investment in the United States approved the transaction early in November 2009. Closing of the transaction occurred during January 2010 after the Corporation received all regulatory approvals including NRC, WDEQ and Texas Commission on Environmental Quality.

### **SALE OF URANIUM ONE AFRICA**

In May 2009, the Corporation committed to a plan to sell Uranium One Africa Limited, ("Uranium One Africa"), a wholly owned subsidiary of the Corporation. Uranium One Africa owns the Dominion Uranium Project, which the Corporation has placed on care and maintenance during the third quarter of 2008.

The sale of Uranium One Africa was completed in April 2010 and the Corporation received cash proceeds of \$37.3 million. The net carrying value of the investment of \$38.5 million as at December 31, 2009 was written down to the proceeds of \$37.3 million, resulting in an impairment of \$1.2 million in Q1 2010.

## SUMMARY OF QUARTERLY RESULTS

(US dollars in thousands  
except per share and per  
lb amounts)

	3 months ended							
	Mar 31, 2010 \$	Dec 31, 2009 \$	Sep 30, 2009 \$	Jun 30, 2009 \$	Mar 31, 2009 \$	Dec 31, 2008 \$	Sep 30, 2008 \$	Jun 30, 2008 \$
Revenues	35,529	69,133	21,333	18,557	42,969	21,146	56,723	49,390
Net (loss) / earnings from continuing operations	(21,506)	179,601	(15,309)	(265,726)	63,356	(241,393)	(2,013,684)	(68,195)
Basic and diluted (loss) / earnings per share from continuing operations <sup>(1)</sup>	(0.04)	0.38	(0.03)	(0.57)	0.13	(0.51)	(4.30)	(0.15)
Earnings / (loss) from discontinued operations <sup>(2)</sup>	-	-	3,408	806	(2,223)	(17,412)	(567)	274
Basic and diluted earnings / (loss) per share from discontinued operations <sup>(1) (2)</sup>	-	-	0.01	0.00	(0.00)	(0.04)	(0.00)	0.00
Net (loss) /earnings	(21,506)	179,601	(11,901)	(264,920)	61,133	(258,805)	(2,014,251)	(67,921)
Basic and diluted (loss) / earnings per share <sup>(1)</sup>	(0.04)	0.38	(0.03)	(0.56)	0.13	(0.55)	(4.30)	(0.15)
Total assets	2,556,870	2,149,107	1,625,528	1,609,845	1,613,991	1,627,133	1,995,911	4,970,117

Notes:

<sup>(1)</sup> The basic and diluted earnings / loss per share are computed separately for each quarter presented and therefore may not add up to the basic and diluted earnings / loss per share for the year ended December 31, 2009.

<sup>(2)</sup> Gold One International Ltd ("Gold One") (formerly Alease Gold) was classified as a discontinued operation in Q1 2008. The net impairment of the investment in Gold One of \$121.3 million was included in the loss from discontinued operations in 2008.

## NON-GAAP MEASURES

### ADJUSTED NET EARNINGS / LOSS

The Corporation has included the following non-GAAP performance measures throughout this document: adjusted net earnings / loss and adjusted net earnings / loss per share. Adjusted net earnings / loss and adjusted net earnings / loss per share do not have any standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures reported by other companies. The Corporation believes that, in addition to conventional measures prepared in accordance with GAAP, certain investors use this information to evaluate the Corporation's performance and ability to generate cash flow. This is provided as additional information and should not be considered in isolation of, or as a substitute for, measures of performance prepared in accordance with GAAP.

Adjusted net earnings / loss is calculated by adjusting the net profit / loss from continuing operations with unrealized foreign exchange gains / losses on future income tax liabilities, impairments, cost of suspension of operations, gains / losses from the sale of assets and the effect of the tax rate adjustment on future income tax liabilities. These items are added back due to their inherent volatility and / or infrequent occurrence.

The following table provides a reconciliation of adjusted net earnings / loss to the financial statements:

	3 months ended	
	Mar 31, 2010 \$(000's)	Mar 31, 2009 \$(000's)
Net (loss) / earnings from continuing operations	(21,506)	63,356
Unrealized foreign exchange loss / (gain) on future income tax liabilities	1,154	(68,899)
Impairment of mineral interest, plant and equipment and closure costs	1,216	-
Gain on sale of available for sale securities	(41)	-
<b>Adjusted net (loss) / earnings</b>	<b>(19,177)</b>	<b>(5,543)</b>
Adjusted net (loss) / earnings per share – basic (\$)	(0.03)	(0.01)
Weighted average number of shares (thousands) – basic	587,294	469,614

### AVERAGE REALIZED SALES PRICE PER POUND AND CASH COST PER POUND SOLD

The Corporation has included the following non-GAAP performance measures throughout this document: average realized sales price per pound and cash cost per pound sold. The Corporation reports total cash costs on a sales basis. In the uranium mining industry, these are common performance measures but do not have any standardized meaning, and are non-GAAP measures. The Corporation believes that, in addition to conventional measures prepared in accordance with GAAP, the Corporation and certain investors use this information to evaluate the Corporation's performance and ability to generate cash flow. This is provided as additional information and should not be considered in isolation of, or as a substitute for, measures of performance prepared in accordance with GAAP.

As in previous periods, sales per pound and cash cost per pound sold are calculated by dividing the revenues and operating expenses found in the statement of operations in the consolidated financial statements by the pounds sold in the period.

## RESULTS OF OPERATIONS AND DISCUSSION OF FINANCIAL POSITION

### SELECTED FINANCIAL INFORMATION

The Corporation's consolidated financial statements and the financial data set out below have been prepared in accordance with GAAP. Uranium One and its operating subsidiaries use the United States dollar, the Australian dollar and the Canadian dollar as measurement currencies.

(US dollars in thousands except per share and per lb amounts)	3 months ended	
	Mar 31, 2010 \$	Mar 31, 2009 \$
Revenue	35,529	42,969
(Loss) / earnings from continuing operations	(21,506)	63,356
Loss from discontinued operations	-	(2,223)
Net (loss) / earnings	(21,506)	61,133
Adjusted net loss	(19,177)	(5,543)
Cash flows from operating activities	165	13,180
(Loss) / earnings per share from continuing operations	(0.04)	0.13
Loss per share from discontinued operations	-	(0.00)
(Loss) / earnings per share	(0.04)	0.13
Adjusted net loss per share	(0.03)	(0.01)
Product inventory carrying value <sup>(1)(2)</sup>	80,629	29,469
Total assets	2,556,870	1,613,991
Long term financial liabilities	762,952	551,734
Average realized uranium price per lb	46	49
Average spot price per lb	42	45
	<b>Lbs</b>	<b>Lbs</b>
Attributable sales volume	764,400	880,600
Attributable production volume	1,720,200	700,900
Attributable inventory <sup>(1)</sup>	3,033,000	962,900

Notes:

- (1) Inventory as at March 31, 2009 is attributable to the Akdala and South Inkai Uranium Mines. Inventory as at March 31, 2010 is attributable to the Akdala, South Inkai and Karatau Uranium Mines. Revenue from production during commissioning of the Corporation's development projects is credited against capital expenditures.
- (2) The Karatau inventory balance for Q1 2010 includes fair value adjustments of \$4.5 million recorded as part of the business combination on December 21, 2009.

## RESULTS OF OPERATIONS

### URANIUM SALES, INVENTORY AND OPERATING COSTS

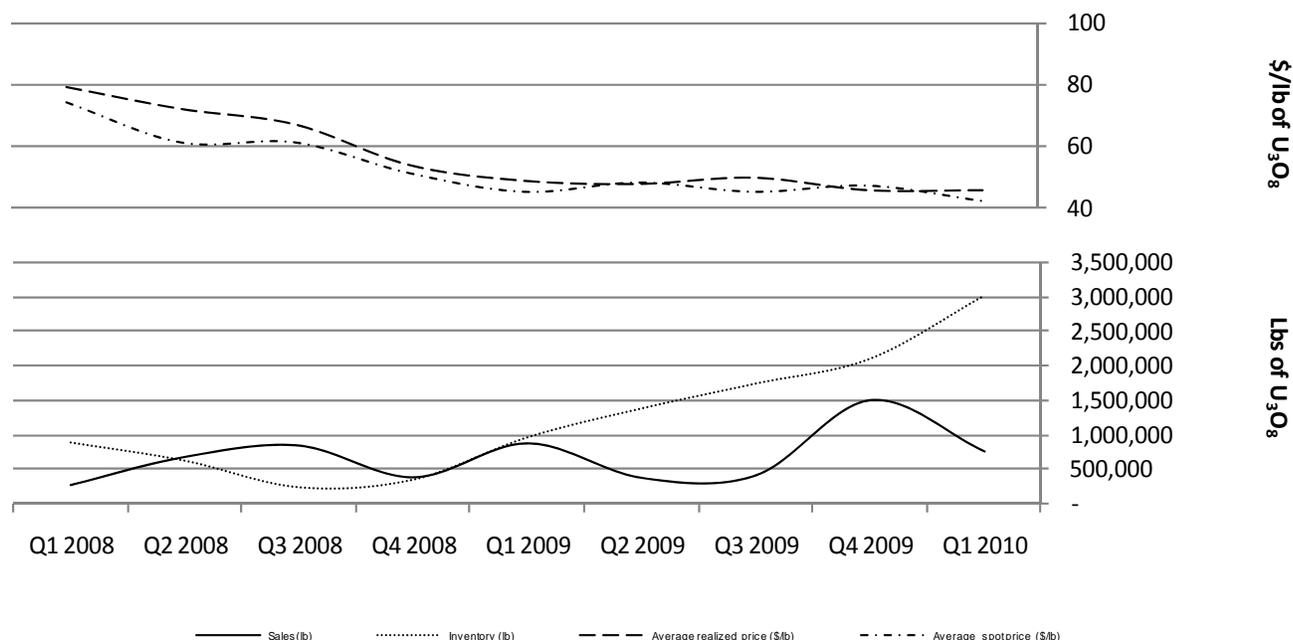
The Corporation's uranium sales, costs of uranium sales and earnings from mine operations were as follows:

	Q1 2010				Q1 2009		
	Akdala	South Inkai	Karatau	Total / Average	Akdala	South Inkai	Total / Average
Revenues (\$000's)	8,763	21,175	5,591	<b>35,529</b>	18,410	24,559	<b>42,969</b>
Attributable sales volumes (lb)	212,500	420,100	131,800	<b>764,400</b>	355,600	525,000	<b>880,600</b>
Average realized price (\$/lb sold)				<b>46</b>			<b>49</b>
Average spot price (\$/lb)				<b>42</b>			<b>45</b>
Closing spot price (\$/lb)				<b>42</b>			<b>42</b>
Operating expenses (\$000's)	2,823	9,715	1,632	<b>14,170</b>	4,714	10,297	<b>15,011</b>
Operating expenses (\$/lb sold)	13	23	12	<b>19</b>	13	20	<b>17</b>
Depreciation and depletion (\$000's)	2,191	6,259	4,015	<b>12,465</b>	4,145	7,886	<b>12,031</b>
Depreciation and depletion (\$/lb sold) <sup>(1)</sup>	10	15	30	<b>16</b>	12	15	<b>14</b>
Earnings / (loss) from mine operations (\$000's)	3,749	5,201	(56)	<b>8,894</b>	9,551	6,376	<b>15,927</b>

#### Notes:

(1) Includes fair value adjustments recognized in inventory on acquisition of Karatau and expensed as non-cash depreciation and depletion with the sale of the revalued inventory.

The average realized uranium price per pound sold relative to the average spot price per pound, and the relationship between volumes sold and inventory, over the last eight quarters are as follows:



Inventory levels during Q1 2010 increased due to shipping delays which resulted in 300,000 pounds of product not being delivered to customers. The Corporation used 200,000 pounds of its borrowed material, and 100,000 pounds of additional material borrowed during the quarter, to make the deliveries. The product initially destined for delivery will be used to replace the borrowed material, at which stage the Corporation will recognize the revenue on the sales. The Karatau mine is in the process of obtaining a licence from the state commission which will enable the mine to sell inventory treated at its refining facility. The inventory levels have increased as Karatau stockpiles the material produced until receipt of the licence for its refining facility.

Revenue of \$35.5 million in Q1 2010 decreased by 17% compared to the \$43.0 million in Q1 2009, due to volume sold decreasing by 116,200 pounds (13% lower than in Q1 2009) and a 6% decrease in the average realized uranium price compared to Q1 2009.

The sales mix for Q1 2010 was 28% for Akdala, 55% for South Inkai and 17% for Karatau, compared to Q1 2009 where Akdala contributed 40% and South Inkai 60% of the sales. The sales mix is expected to align with the production ratio of each mine over time, influenced by the effect of long term contracts on inventory build-up and Karatau receiving its license to sell product processed at its refining facility. In Q1 2010, Karatau sold product processed at external processing facilities.

Operating expenses per pound sold increased by 12% from \$17 per pound in Q1 2009 to \$19 per pound in Q1 2010, mainly due to the higher initial cash cost of production at South Inkai of \$23 per pound and the high contribution to sales volume by South Inkai during the quarter.

There is possible volatility in operating expenses due to the timing of the acidification of new wellfields. Sulphuric acid use is higher during the initial acidification process, and the sulphuric acid cost per pound is higher during these periods. The Corporation carries inventory at the weighted average cost of production, calculated at various stages of the production process. As a result, the weighted average cost increases during periods with higher levels of acidification.

Attributable inventory increased from 2,110,500 pounds at December 31, 2009 to 3,033,000 pounds at March 31, 2010. The increase in attributable inventory for Akdala, South Inkai and Karatau was 269,400 pounds, 326,200 pounds and 326,900 pounds respectively, due to the shipping delays for 300,000 pounds of South Inkai inventory that was not delivered to customers and the delays with receipt of the licence for the Karatau processing facility delaying the sale of its inventory.

#### **GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses, including stock option and restricted share expenses of \$2.0 million, amounted to \$9.4 million in Q1 2010, compared to \$9.1 million Q1 2009, including stock option and restricted share expenses of \$1.5 million.

The general and administrative expense for Q1 2010 includes salaries and directors' fees of \$5.5 million, consulting and advisor fees of \$1.6 million, travel expenses of \$0.5 million and office rent of \$0.5 million.

#### **EXPLORATION**

The Corporation determines its discretionary exploration expenditure each year during its planning cycle. Exploration expenditure relates to exploration programs undertaken on the Corporation's tenures in the United States, Canada and Australia and amounted to \$0.9 million during Q1 2010, compared to \$1.8 million during Q1 2009.

#### **CARE AND MAINTENANCE, CLOSURE COSTS AND IMPAIRMENT**

The Corporation's carrying value for Dominion was impaired to the agreed upon sale value of \$37.3 million, resulting in an impairment of \$1.2 million in Q1 2010. The Corporation incurred care and maintenance costs of \$1.2 million in Q1 2010, net of recoveries received from the new prospective owner, compared to care and maintenance costs of \$2.2 million in Q1 2009.

The Shootaring mill in Utah was placed on care and maintenance in 2008 as the Corporation concluded that it could not be operated economically with the currently available resource base and care and maintenance costs of \$0.4 million were incurred in Q1 2010, compared to \$0.6 million in Q1 2009.

Total care and maintenance costs in Q1 2010 were \$1.6 million, compared to care and maintenance costs of \$3.6 million for Q1 2009, which included care and maintenance cost for Hobson and La Palangana which were sold in December 2009.

#### **INTEREST AND OTHER**

Interest income amounted to \$1.0 million in both Q1 2010 and Q1 2009. In addition to the interest earned on loans to joint ventures, interest is earned on funds held on deposit by the Corporation. The interest received on the funds received from the new debenture issue did not have a significant effect on interest during the quarter as the funds were only received by the end of Q1 2010. Deposit interest rates have started to recover since the economic crisis, but the yields are still low.

Interest accrued on the Corporation's 2006 Debentures was \$2.4 million in Q1 2010, compared to \$1.9 million in Q1 2009. The increase is a result of the strengthening of the Canadian dollar against the US dollar.

Interest accrued on the Corporation's 2010 Debentures and JUMI Debentures was \$1.3 million and \$3.1 million in Q1 2010, respectively.

The interest expense on the \$65 million drawn down in October 2008 under the Corporation's credit facility was \$0.4 million in Q1 2010 compared to \$0.3 million in Q1 2009. The loan currently bears interest at 2.3% per year. Other charges relating to the credit facility, including amortization of upfront costs and the availability fee, were \$0.7 million in both Q1 2010 and Q1 2009.

## **FOREIGN EXCHANGE GAIN / LOSS**

Unrealized foreign exchange losses during Q1 2010 were \$6.4 million, compared to unrealized foreign exchange gains of \$70.9 million in Q1 2009. The Corporation realized foreign exchange losses on cash and other items of \$1.1 million in Q1 2010 and \$0.5 million in Q1 2009.

## **INCOME TAXES**

The current income tax expense for Q1 2010 of \$3.2 million mainly consists of income tax paid and payable in Kazakhstan on profits from the Corporation's Akdala, South Inkai and Karatau mines. For Q1 2009 a \$11.6 million income tax expense was recorded, mainly relating to the Akdala and South Inkai mines.

The future income tax recovery in Q1 2010 of \$2.6 million consists of the following:

- Recovery of future income tax liabilities of Akdala and South Inkai mines of \$0.2 million. The recovery represents the depletion of the future income tax liabilities that were created on the acquisition of the Akdala and South Inkai mines, and was based on the excess purchase price paid on acquisition; and
- An increase of \$2.4 million in future income tax assets due to temporary differences and tax loss carry forwards, which is set off against the future income tax liability.

## **NET EARNINGS / LOSS**

The net loss for Q1 2010 amounted to \$21.5 million or \$0.04 per share, compared to net earnings of \$61.1 million or \$0.13 per share for Q1 2009.

## FINANCIAL CONDITION

### CASH AND CASH EQUIVALENTS

On March 31, 2010, the Corporation had cash and cash equivalents of \$451.4 million, compared to \$148.5 million at December 31, 2009. Cash and cash equivalents on March 31, 2010 include \$18.6 million held by Betpak Dala, \$7.5 million held by Karatau, \$0.1 million held by Kyzylkum, \$0.2 million held by SKZ-U and \$8.0 million held by the Honeymoon Joint Venture. Cash held by the joint ventures is used to fund joint venture operations.

### LOANS TO JOINT VENTURES

Kyzylkum has suspended scheduled payments of principal and interest to the Corporation pending receipt of additional finance currently being arranged by the Corporation and its partners in the Kyzylkum joint venture. The repayments of the \$35 million due from Kyzylkum are likely to be deferred as part of the financing of Kyzylkum's activities. The Corporation therefore classified the amount outstanding on the loan to Kyzylkum as non-current.

During the three months ended March 31, 2010, Betpak Dala advanced loans of \$1.0 million to Kyzylkum and \$3.4 million to Karatau, and the Corporation's proportionate share of these loans is \$0.4 million and \$0.7 million respectively. Both of these loans are non interest bearing and classified as current. Both loans were fully repaid in April 2010.

### BORROWED URANIUM CONCENTRATES AND URANIUM CONCENTRATES LOANS

In 2008, the Corporation borrowed 200,000 pounds pursuant to a uranium loan agreement to provide the Corporation with flexibility to meet its long term contractual obligations in terms of future uranium sales contracts and mitigate the risk of delivery delays. The 200,000 pounds was delivered into a sales contract during Q1 2010, together with a further 100,000 pounds that was borrowed because of a delivery being delayed. A liability of \$12.6 million is accounted for in respect of the borrowed uranium concentrates of 300,000 pounds as at March 31, 2010. Pursuant to the loan agreements, the 200,000 pounds of material is to be returned in Q3 2010 and the 100,000 pounds of material is to be returned in Q2 2010. The loans are therefore classified as a current liability as at March 31, 2010. The Corporation plans to replace the borrowed material used for the deliveries with its own production.

Two directors of Uranium One, and one nominee for election as a director at the 2010 annual general meeting, are also senior officers of the entities that advanced the uranium loans to the Corporation.

### INVENTORIES AND PURCHASED URANIUM CONCENTRATES

The value of inventories as at March 31, 2010 increased to \$80.6 million from \$65.9 million held at December 31, 2009. Finished uranium concentrates and solutions and concentrates in process increased by \$14.7 million in line with the increased quantity of product inventory from 2,110,500 pounds to 3,033,000 pounds. The increase in product inventory is due to the lower than expected sales volume resulting from delivery delays. The delay in receiving the licence for the Karatau processing plant is also causing an increase in inventory.

The Corporation revalued acquired inventory from the Karatau acquisition during the 2009 financial year to its fair value determined on acquisition using market indicators at that time. The fair value adjustment will be recognized in the statement of operations on the sale of the inventory, and is not re-measured in future periods. The fair value adjustment included in Karatau's inventory as at March 31, 2010 amounted to \$4.5 million.

Materials and supplies increased by \$1.3 million in the period ended March 31, 2010.

As at March 31, 2010 the Corporation had attributable inventory of 3,033,000 pounds, of which approximately 51,000 pounds was held at conversion facilities. Sales of product are normally completed at conversion facilities when material is transferred to customers by way of a book transfer. The product on hand at conversion facilities as at March 31, 2010 is committed for delivery under existing sales contracts subsequent to quarter end. Shipping times for finished product can be up to four months, depending on the distance between the mine site and conversion facility, where sales are completed through transfer of legal title and ownership.

A summary of Akdala, South Inkai and Karatau's attributable inventory carried at March 31, 2010 is as follows:

Category	Location	Lbs (000's)
In process	Mine site	128
In process	In transit to external processing facilities	152
In process	External processing facilities	591
Finished product ready to be shipped	Mine site	694
Finished product ready to be shipped	External processing facilities	536
Finished product In transit	In transit	881
Finished product at conversion facility	Conversion facilities	51
<b>Total inventory</b>		<b>3,033</b>

Inventory as at March 31, 2010 is attributable to the Akdala, South Inkai and Karatau Uranium Mines. Production during commissioning of the Corporation's development projects is not accounted for as inventory. Attributable material produced and on hand from the Corporation's development projects at March 31, 2010 amounted to 59,800 pounds at Kharasan.

## **OTHER ASSETS**

The Corporation contributed \$15.4 million to its asset retirement fund during Q1 2010, mostly as a result of the additional asset retirement obligations acquired as part of the acquisition of Christensen Ranch and Irigaray.

The Corporation delivered 200,000 pounds borrowed U<sub>3</sub>O<sub>8</sub> for delivery into sales contracts to customers during the quarter ended March 31, 2009, reducing the value of borrowed uranium concentrates on hand by \$8.9 million.

In August 2009, the Corporation paid a deposit of \$8.8 million to AREVA and EDF pursuant to the acquisition of Christensen Ranch and Irigaray. The deposit was applied against the purchase price on closing of the transaction on January 25, 2010.

The Corporation acquired additional equity securities during the quarter ended March 31, 2010. The total carrying value of available for sale securities on March 31, 2010 amounted to \$34.2 million.

## **MINERAL INTERESTS, PLANT AND EQUIPMENT**

The values of mineral interests, plant and equipment increased by \$59.6 million during the quarter ended March 31, 2010.

The significant movement for Q1 2010 consists of:

- The acquisition of Christensen Ranch and Irigaray increased the value by \$56.4 million;
- Depreciation and depletion decreasing the net value by \$23.7 million; and
- Capital additions of \$21.0 million during Q1 2010.

## **CURRENT LIABILITIES RELATED TO THE ACQUISITION OF KARATAU**

In December 31, 2009, the Corporation issued a promissory note of \$90 million to ARMZ as part of the consideration for the acquisition of Karatau. The promissory note was due no later than 12 months from closing of the transaction and was repaid on January 18, 2010 from the proceeds of the JUMI Debentures. Interest was payable on the promissory note at a rate of 4.75% per year.

The Corporation determined that the first instalment of the post-closing tax related adjustments was due and payable on January 4, 2010 and accordingly raised a provision of \$20 million at December 31, 2009. The \$20 million was set off and settled against withholding tax payments made on behalf of ARMZ in January 2010.

In 2006, Karatau entered into a fixed price contract for the sale of uranium. The sales price under this contract was below the current market price for uranium on the day of acquisition. The Corporation accounted for this contract as an unfavourable contract and recognized a liability of \$18.9 million pursuant to this contract on acquisition of Karatau. On sale of uranium into the unfavourable contract, the liability is reduced, with a corresponding credit against revenue. The remaining liability on March 31, 2010 was \$7.0 million, after accounting for sales into this contract subsequent to acquisition.

Karatau had \$10 million in outstanding short term loan from Citibank in Kazakhstan at acquisition. An additional \$0.8 million was drawn down against the facility during Q1 2010. As at March 31, 2010, the Corporation's share of this loan was \$5.4 million.

During Q1 2010, Karatau negotiated additional bank loans from Halyk Bank, in the amount of \$11 million, and UniCredit Bank in the amount of \$30 million. The Halyk Bank facility was drawn down in full and \$15 million was drawn against the UniCredit Bank facility in the three months ended March 31, 2010. The remaining \$15 million of the \$30 million facility from UniCredit Bank was drawn down in April 2010. The Corporation issued a guarantee to UniCredit Bank to secure the facility. As at March 31, 2010, the Corporation's share of these loans was \$13.0 million.

## **NON-CURRENT LIABILITIES**

The outstanding amount on the Corporation's 2006 Debentures increased mainly as a result of the 3% strengthening of the Canadian dollar against the US dollar during the quarter ended March 31, 2010 and interest accrued for the period. The 2006 Debentures are denominated in Canadian dollars.

The Corporation issued the 2010 Debentures on March 12, 2010. The value of the liability recognized on initial recognition amounted to \$196.8 million, net of transaction costs of \$10.4 million. The 2010 Debentures are denominated in Canadian dollars.

The Corporation issued the JUMI Debentures on January 14, 2010. The value of the liability recognized on initial recognition amounted to \$130.3 million, net of transaction costs of \$1.1 million. The JUMI Debentures are denominated in Canadian dollars.

Future income tax liabilities increased by \$12.2 million from December 31, 2009, mainly due to the acquisition of Christensen Ranch and Irigaray, which contributed \$13.4 million of the increase. Recovery of future income tax liabilities of Akdala and South Inkai mines resulting from the fair value adjustment on acquisition amounted to \$0.2 million. An increase in the future income tax assets due to temporary differences and tax loss carry forwards of \$2.4 million, decreasing the future income tax liability, accounted for the majority of the remaining movement.

## **EQUITY**

Changes in shareholders' equity consist mainly of the net loss for the year of \$21.5 million, an unrealized gain of \$2.1 million recognized on translation of self-sustaining foreign operations, and fair value adjustments on available for sales securities of \$1.6 million. The unrealized gain on translation of self-sustaining foreign operations arose on the strengthening of the Australian dollar against the US dollar by 3% during the quarter.

The value of the equity recognized on initial recognition of the 2010 Debentures amounted to \$44.0 million, net of transaction costs of \$2.1 million and the value of the equity recognized on initial recognition of the JUMI Debentures amounted to \$125.7 million, net of transaction costs of \$1.0 million.

## **LIQUIDITY AND CAPITAL RESOURCES**

### **WORKING CAPITAL AND CASH GENERATED FROM OPERATIONS**

At March 31, 2010 the Corporation had working capital of \$433.8 million. Included in this amount is cash and cash equivalents of \$451.4 million, which includes the Corporation's proportionate share of cash and cash equivalents at its joint venture operations in Kazakhstan and Australia. Cash held by the Corporation's joint venture operations is applied to the business of the joint ventures and cash flows between the Corporation and the joint ventures normally only occur through loans to the joint ventures and dividends paid by the joint ventures. The Corporation expects that Betpak Dala will fund its capital requirements from cash flow from its operations, without the need for finance from the Corporation or third parties. Karatau is expected to fund its capital requirements through short term loans and cash flow from its operations.

The interest earned on the Corporation's cash balances will be applied to existing commitments in respect of the Corporation's development projects and other current commitments.

The Corporation earns revenue from the sale of uranium from the Akdala, South Inkai and Karatau Uranium Mines in Kazakhstan. Additional sales revenue will be earned from uranium sales when the Corporation's development projects are commissioned.

Uranium is sold under forward long-term delivery contracts. Contracted deliveries are planned to be filled from the Corporation's mining operations. The ability to deliver contracted product is therefore dependent upon the continued operation of the mining operations as planned. The Corporation has entered into market-related sales contracts with price mechanisms that reference the market price in effect at or near the time of delivery. In addition, the Corporation has negotiated floor price protection in most of its sales contracts. For 2010, committed sales under contract represent respectively approximately 50% of expected production, without taking any available inventory into account.

At March 31, 2010, there were outstanding sales commitments for 2.8 million pounds in respect of sales contracts for the Dominion project, which was not included in the sale of Uranium One Africa. The Corporation plans to meet these commitments from the production of other group entities and, if required, additional purchases from third parties. The Corporation has floor price protection in all of the Dominion contracts and does not expect to incur material losses in satisfying its delivery commitments thereunder.

### **CURRENT AND FUTURE SOURCES OF FUNDING**

Kyzylkum has fully drawn down its Citibank and JBIC project finance facilities. The Corporation is working with its partners in the Kyzylkum joint venture to arrange additional funding to finance Kyzylkum's activities until it generates positive cash flows from operations. The repayments of \$35 million due from Kyzylkum on the loan from the Corporation are likely to be deferred as part of the financing of Kyzylkum's activities. While the negotiations for additional funding are in progress, Kyzylkum is being financed through the receipt of pre-payments on its sales contracts with Kazatomprom.

The Corporation utilized the proceeds from the Mitsui transaction for the development of Honeymoon and for general corporate purposes in Australia. In addition to the funds provided by Mitsui, the Corporation expects to contribute \$25 million towards the funding of Honeymoon in 2010, starting in Q2 2010.

SKZ-U concluded loan agreements with JBIC in the amount of \$133 million, and Uranium One in the amount of \$31 million to finance the construction of a sulphuric acid plant in Kazakhstan and made the first drawdown of \$65 million under these facilities in April 2010.

Under its credit facility, which was arranged with Bank of Montreal and The Bank of Nova Scotia at the end of Q2 2008, the Corporation is required to maintain an interest coverage ratio of more than 2.5:1 on a rolling four quarters basis. The interest coverage ratio is the ratio of the Corporation's earnings before interest, tax, share based compensation, depreciation and depletion and other non-cash items to interest paid. The Corporation's interest coverage ratio as at March 31, 2010, calculated in accordance with the credit agreement, was 4.1:1.

In October 2008, the Corporation drew down \$65 million under its credit facility as an internal cash reserve and in January 2010 received C\$270 million from the issuance of a convertible debenture to JUMI. The Corporation also entered into a C\$260 million bought deal financing of convertible unsecured subordinated debentures, which closed on March 12, 2010. The Corporation will therefore have cash resources sufficient to sustain capital and corporate expenditures planned for 2010. Capital expenditures by the Betpak Dala and Karatau joint ventures are expected to be funded through the joint ventures' operating cash flow and short term loans for Karatau.

The Corporation expects to use working capital on hand and the proceeds from the JUMI Debentures and 2010 Debentures to fund operations and capital expenditures. If payable, the remaining \$40 million contingent payments under the Karatau acquisition will also be funded from the proceeds of these financing arrangements.

The outstanding amount under the credit facility is repayable on June 27, 2010, and the repayment date may be extended, if needed, to June 27, 2011, with lenders' consent. If the repayment date is not extended, the Corporation will repay the facility from its internal cash reserves. The \$65 million drawdown under the credit facility currently attracts interest at a rate of 2.3% per annum, payable on a monthly basis. Uranium One's 2006 Debentures mature on December 31, 2011 and fixed interest at a rate of 4.25% is payable semi-annually in arrears. If Kazakh regulatory approval is not received for the JUMI Debentures, JUMI may, on 12 months' notice, redeem the debentures at par plus accrued and unpaid interest. Such redemption may not occur before the second anniversary of the issuance of the debentures (January 2012). The JUMI Debentures mature on January 14, 2020 and fixed interest at a rate of 3% is payable semi-annually in arrears. The 2010 Debentures mature on March 13, 2015, with interest payable at a rate of 5.0% per annum, payable semi-annually from the date of receipt of all necessary Kazakh approvals for the conversion of the 2010 Debentures, or at a rate of 7.5% per annum, payable semi-annually before the receipt of the necessary Kazakh approvals.

The Corporation has not used any of the proceeds from the 2010 Debentures as at March 31, 2010.

In addition to the factors described under "Risks and Uncertainties" below, Uranium One's ability to raise capital is highly dependent on the commercial viability of its projects and the underlying price of uranium. Other risk factors, including the Corporation's ability to develop its projects into commercially viable mines, international uranium industry competition, public acceptance of nuclear power and governmental regulation, can also adversely affect Uranium One's ability to raise additional funding. There is no assurance that additional sources of funding, if required, will be forthcoming. Please refer to "Risks and Uncertainties".

## **CONTRACTUAL OBLIGATIONS**

The only material changes to the Corporation's contractual obligations during Q1 2010 resulted from the \$13.4 million drawdown by Karatau against its credit facilities and the increase of \$6.7 million in the Corporation's obligation in regard to asset retirement obligations as a result from the acquisition of Christensen Ranch and Irigaray.

## **COMMITMENTS AND CONTINGENCIES**

Due to the size, complexity and nature of the Corporation's operations, various legal and tax matters arise in the ordinary course of business. The Corporation accrues for such items when a liability is both probable and the amount can be reasonably estimated. In the opinion of management, these matters will not have a material effect on the consolidated financial statements of the Corporation.

There were no material changes to the Corporation's commitments and contingencies since December 31, 2009.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Corporation has no off-balance sheet arrangements.

## **OUTSTANDING SHARE DATA**

As of May 7, 2010, there were issued and outstanding 587,494,776 common shares.

A warrant was issued in connection with the acquisition of the Corporation's interest in Kyzylkum entitling the holder to acquire 6,964,200 shares in Uranium One for no additional consideration upon completion of commissioning of the Kharasan Uranium Project. Uranium One has reserved a total of 57,500 common shares for issuance to third parties under certain property option and joint venture agreements.

As of May 7, 2010, there were 21,748,131 stock options outstanding under Uranium One's stock option plan and the security based compensation plans assumed by the Corporation pursuant to its acquisitions, at exercise prices ranging from C\$0.78 to C\$16.59. There were 434,659 restricted shares outstanding as of May 7, 2010.

Uranium One has the following convertible debentures outstanding:

- The 2006 Debentures, with 155,250 convertible debentures outstanding, each convertible to 50 common shares of Uranium One, representing 7,762,500 common shares;
- The JUMI Debentures, convertible into 117,000,000 common shares of Uranium One
- The 2010 Debentures, with 260,000 convertible debentures outstanding, each convertible to 250 common shares of Uranium One, representing 65,000,000 common shares of Uranium One.

## **DIVIDENDS**

There have been no dividend payments on the common shares of Uranium One. Holders of common shares are entitled to receive dividends if, and when declared by the Board of Directors. There are no restrictions on Uranium One's ability to pay dividends except as set out under its governing statute.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Note 2 to the Corporation's consolidated financial statements for the year ended December 31, 2009 describes all of the Corporation's significant accounting policies.

The preparation of financial statements in conformity with GAAP requires the Corporation's management to make estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements and related notes to the financial statements. Actual results may differ from those estimates.

### MINERAL INTERESTS, PLANT AND EQUIPMENT

Depreciation and depletion of mineral interests, plant and equipment is primarily calculated using the unit of production method. This method allocates the cost of an asset to each period based on the current period's production as a portion of the total expected production of the life of the mine, or a portion of the estimated recoverable ore reserves. Estimates of the production over the life of the mine and amounts of recoverable reserves are subject to judgment and significant change over time. If actual mineral reserves prove to be significantly different than the estimates, there could be a material impact on the amounts of depreciation and depletion charged to the statement of operations.

### ASSET RETIREMENT OBLIGATIONS

Significant decommissioning and reclamation activities are often not undertaken until substantial completion of the useful lives of the productive assets. Regulatory requirements and alternatives with respect to these activities are subject to change over time. A significant change to either the estimated costs or recoverable reserves may result in a material change in the amount charged to earnings.

### IMPAIRMENT OF LONG-LIVED ASSETS

The Corporation assesses the carrying value of mineral interests, plant and equipment annually or more frequently if warranted by a change in circumstances. If it is determined that carrying values of the mineral interests, plant and equipment cannot be recovered, the unrecoverable amounts are written off. Recoverability is dependent upon assumptions and judgments regarding future prices, costs of production, sustaining capital requirements and economically recoverable reserves. A material change in assumptions may significantly impact the potential impairment of these assets.

### TAXES

The Corporation operates in a number of tax jurisdictions and is therefore required to estimate its income taxes in each of these tax jurisdictions in preparing its consolidated financial statements. In calculating income taxes, consideration is given to factors such as tax rates in the different jurisdictions, non-deductible expenses, valuation allowances, changes in tax laws and management's expectations of future results.

The Corporation estimates future income taxes based on temporary differences between the income and losses reported in its financial statements and its taxable income and losses as determined under the applicable tax laws. The tax effect of these temporary differences is recorded as future tax assets or liabilities in the consolidated financial statements. The calculation of income taxes requires the use of judgment and estimates. If these judgments and estimates prove to be inaccurate, future earnings may be materially impacted. The determination of the ability of the Corporation to utilize tax loss carry-forwards to offset future income tax payable requires management to exercise judgment and make certain assumptions about the future performance of the Corporation. Management is required to assess whether the Corporation is "more likely than not" to benefit from these prior losses and other future tax assets.

Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses. In the event that it is determined that certain of the losses are not likely to be utilized, a valuation allowance would have to be recorded against the recognized future tax assets through a charge to the statement of operations. Conversely, where amounts that are considered not likely to be utilized to reduce future tax payable are determined to be likely to be utilized in the future, the valuation allowances against these losses would be removed by recording a future income tax recovery in the statement of operations.

### STOCK BASED COMPENSATION

The Corporation grants stock options and restricted share rights to employees of the Corporation under its stock option and restricted share rights plans. The Corporation uses the fair value method of accounting for all stock based compensation awards ("Awards"). Under this method, the Corporation determines the fair value of the compensation expense for all Awards on the date of grant using the Black-Scholes pricing model. The fair value of the Awards is expensed over the vesting period of the Awards. In estimating fair value, management is required to make certain assumptions and estimates regarding such items as the life of options and forfeiture rates. Changes in the assumptions used to estimate fair value could result in materially different results.

## NEW / CHANGES IN ACCOUNTING POLICIES

The Corporation's accounting policies have been consistently followed except that the Corporation adopted CICA Section 1582 – “*Business Combinations*”, CICA Section 1601 – “*Consolidated Financial Statements*” and Section 1602 – “*Non-controlling Interests*” on January 1, 2010:

CICA Section 1582 – “*Business Combinations*”, which replaces CICA Section 1581 – “*Business Combinations*”, establishes standards for the accounting for a business combination. It is the Canadian GAAP equivalent to International Financial Reporting Standard (“IFRS”) 3, “*Business Combinations*”. This standard is effective for the Corporation's business combinations with acquisition dates on or after January 1, 2011. Early adoption is permitted and the Corporation adopted this standard effective January 1, 2010.

CICA Section 1601 – “*Consolidated Financial Statements*” and Section 1602 – “*Non-controlling Interests*” replaces CICA Handbook Section 1600 - “*Consolidated Financial Statements*”. Sections 1601 and 1602 establish standards for preparation of consolidated financial statements and the accounting for non-controlling interests in financial statements that are equivalent to the standards under IFRS. These standards are effective for the Corporation for interim and annual financial statements beginning on January 1, 2011. Early adoption is permitted and the Corporation adopted this standard effective January 1, 2010.

## INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

### Conversion plan

The Canadian Accounting Standards Board has mandated the adoption of IFRS effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 for Canadian publicly accountable profit-orientated enterprises. Companies will be required to provide IFRS comparative information for the fiscal year immediately preceding the year in which they first adopt IFRS. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting standards which must be addressed.

The Corporation has a multi-year transition plan that comprises three major phases, including a scope and planning phase, a design and build phase and an implement and review phase culminating in the reporting of financial information in accordance with IFRS for Q1 2011.

The Corporation completed the scoping, planning and assessment phase of the project which resulted in the selection of IFRS accounting policies and transitional exemptions decisions, estimates of quantification of financial statement impacts and is in the processes of preparation of shell financial statements and the quantification of differences. The Corporation continues to assess the implications of such differences and policy choices to its financial reporting.

The Corporation has implemented the necessary changes to its systems and reporting processes to support preparation of the IFRS opening balance sheet at January 1, 2010.

The International Accounting Standards Board continues to amend and add to current IFRS standards with several projects currently underway. The Corporation's conversion process includes monitoring actual and anticipated changes to IFRS standards and related rules and regulations and assessing the impacts of these changes on the Corporation and its reporting, including expected dates of when such impacts are effective.

The Corporation implemented new accounting and consolidation systems in various parts of its business in 2009 and expected changes in accounting policies, processes and collection of additional information for disclosure were incorporated in the design and implementation of these systems.

The impact of the transition to IFRS on internal controls over financial reporting and disclosure controls and procedures will be reviewed and adjusted accordingly during the finalization of the design and implementation phases.

### Impact of adoption of IFRS

Adoption of IFRS will generally require retrospective application as of the transition date, on the basis that an entity has prepared its financial statements in accordance with IFRS since its formation. Certain adoptive relief mechanisms are available under IFRS to assist with difficulties associated with reformulating historical accounting information. The general relief mechanism is to allow for prospective, rather than retrospective treatment, under certain conditions as prescribed by IFRS 1, First-time Adoption of International Financial Reporting Standards (“IFRS 1”). The standard specifies that adjustments arising on the conversion of IFRS from Canadian GAAP should be recognized in opening retained earnings.

## **IFRS 1: First-time Adoption of International Financial Reporting Standards**

The adoption of IFRS requires application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires an entity to apply all IFRSs effective at the end of its first IFRS reporting period retrospectively. However, IFRS 1 provides certain mandatory exceptions and permits limited optional exemptions in specified areas of certain standards from this general requirement. The significant elections made by the Corporation are:

### *Fair value as deemed cost*

IFRS 1 allows an entity to initially measure an item of property, plant and equipment and investment property upon transition to IFRS at fair value as deemed cost (or under certain circumstances using a previous GAAP revaluation) as opposed to full retroactive application of the cost model under IFRS. Under this option, fair value as deemed cost will become the new cost amount for qualifying assets at transition.

The Corporation have elected to use the fair value as deemed cost for selected properties. Applying the IFRS 1 elections for fair value as deemed cost to certain long lived assets will limit the IFRS requirement to reverse impairments previously recognized.

### *Business combinations*

IFRS 1 generally provides for the business combinations standard to be applied either retrospectively or prospectively from the date of transition to IFRS (or to restate all business combinations after a selected date). Retrospective application would require an entity to restate all prior transactions that meet the definition of a business under IFRS. Prospective application requires that the first-time adopter shall recognize all its assets and liabilities at the date of transition to IFRS's that were acquired or assumed in past business combinations, other than certain assets and liabilities as defined by IFRS 1.

The Corporation has elected to apply the business combination standard prospectively, and have to recognize contingent liabilities and payments not previously recognized that arose from past business combinations. Contingent payments of a cash nature are recognized as liabilities and payments that is equity in nature is recognized in equity as part of contributed surplus.

### *Cumulative translation losses*

An entity may elect to deem the cumulative translation differences that resulted from the translation of its foreign operations to the reporting currency to be zero at the transition date. This will result in the exclusion of translation differences that arose prior to the transition date from gains or losses on a subsequent disposal of a foreign operation.

The Corporation has elected to reset the cumulative translation losses to zero on transition date.

### *Borrowing costs*

Prior to January 1, 2009, the capitalization of borrowing costs was optional under IFRS. At adoption, an entity may designate any date on or before January 1, 2010 to commence capitalization of borrowing costs relating to all qualifying development projects commencing after such date.

The Corporation has elected to commence capitalization of borrowing costs on January 1, 2010.

## **IFRS accounting policy changes**

IFRS is premised on a conceptual framework similar to Canadian GAAP, however, significant differences exist in certain areas of recognition, measurement and disclosure. The following discussion outlines the significant accounting policies, which are required, or are currently expected to be applied by the Corporation, on its adoption of IFRS that will be significantly different than its Canadian GAAP accounting policies. Some of the differences may only affect future transactions and may not have an impact on the opening balance sheet. This discussion has been prepared using the standards and interpretations currently issued and expected to be effective for the Corporation's first annual reporting period under IFRS for the year ended December 31, 2011. Certain accounting policies currently expected to be adopted under IFRS and the application of such policies to certain transactions or circumstances may be modified and, as a result, the impact may be different than the Corporation's current expectations. Further, the IASB is currently in the process of amending, or expects to amend, numerous accounting standards that will be applicable to the Corporation. As these IFRS standards are amended, and as the Corporation continues to evaluate the impact of adoption on its processes and accounting policies, the Corporation will provide updated disclosure where appropriate.

### *IAS 36 - Impairment of assets*

Under Canadian GAAP, impairment is recognized for non-financial assets based on estimated fair value when the undiscounted future cash flows from an asset, or group of assets, is less than the carrying value.

Under IFRS, an entity is required to recognize an impairment charge if the recoverable amount, determined as the higher of the estimated fair value less costs to sell or value-in-use, is less than its carrying value. Value in use is the discounted present value of estimated future cash flows expected to arise from the planned use of an asset and from its disposal at the end of its useful life.

IFRS also requires the reversal of an impairment loss when the recoverable amount is higher than the carrying value (by no more than what the depreciated amount of the asset would have been had the impairment not occurred) unlike Canadian GAAP, which does not permit reversals.

The Corporation is in the process of completing its analysis of impairment of its properties on the conversion date. The preliminary assessment indicated IFRS impairments on the Honeymoon project, the Corporation's properties in the Powder River and Great Divide Basins in Wyoming and its conventional mining projects in the United States. The IFRS impairment analysis on these and other projects are being finalized and the final assessment could result in impairments of projects not identified as impaired with the preliminary assessment.

#### *IFRS 2 - Share based payments*

Under Canadian GAAP, an entity may elect to estimate the number of equity-settled instruments that are expected to vest and then make adjustments to the actual number that vest unless forfeitures are due to market-based conditions, or an entity can choose to accrue compensation cost as if all instruments granted were expected to vest and recognize the effect of actual forfeitures as they occur.

Under IFRS, an entity estimates the number of equity-settled instruments that are expected to vest are adjusted to the actual number that vest unless forfeitures are due to market-based conditions.

The Corporation is in the process of assessing the IFRS conversion adjustments for share based payments.

#### *IAS 21- The Effects of Changes in Foreign Exchange rates*

Under Canadian GAAP, there are various indicators to be considered in determining the appropriate functional currency of a foreign operation and such indicators are similar to those under IFRS.

When the assessment of functional currency under IFRS provides mixed indicators and the functional currency is not obvious, priority should be given to certain indicators.

Because the determination of the functional currency requires the exercise of judgment based on the evaluation of all relevant information, differences in assessment under IFRSs and Canadian GAAP may arise. As the Corporation has interests in entities that prepare stand alone IFRS financial statements, the functional currency used in the audited stand alone financial statements needs to be consistent to the functional currency used to incorporate the entity's results into the group financial statements. The Corporation has identified certain entities where the functional currency will change to the local currency of the entity on transition to IFRS and this will result in non-monetary assets and liabilities being translated to the reporting currency using the closing rate on balance sheet date, compared to the historical rate, or vice versa if the functional currency changes from the local currency to a foreign currency for that entity.

The Corporation is in the process of assessing the IFRS conversion adjustments due to the change in functional currency for some of its reporting entities.

#### *IAS 37 – Provisions, contingent liabilities and contingent assets*

Under Canadian GAAP, the rate used in determining the asset retirement obligation would be the Corporation's credit adjusted risk free rate and is adjusted only for new obligations incurred. The standard also requires the use of external cost in the determination of the asset retirement obligation.

Under IFRS, the discount rate used in determining the asset retirement obligation reflects current market assessments of the time value of money adjusted for specific risks not reflected in the underlying cash flows associated with the liability and is adjusted periodically. There is no requirement to use external costs to determine an asset retirement obligation if the Corporation will use its own resources to perform the related work.

The Corporation is in the process of assessing the IFRS conversion adjustments for asset retirement obligations.

#### *IAS 23 - Borrowing costs*

Under Canadian GAAP, interest and borrowing costs may be capitalized as part of the cost of a qualifying asset. The Corporation's policy was not to capitalize borrowing costs.

Under IFRS, interest and borrowing costs are capitalized as part of the costs of a qualifying asset.

The Corporation is in the process of assessing the IFRS conversion adjustments for borrowing costs.

#### *IAS 39 – Financial instruments*

Under Canadian GAAP, embedded derivative accounting is not required for a cash conversion option included as a feature of a convertible debenture, as the cash conversion feature is regarded as a settlement feature of the instrument.

Under IFRS, a cash conversion option included as a feature of a convertible debenture meets the definition of an embedded derivative and is required to be separated and accounted for as a derivative instrument.

The Corporation is in the process of assessing the IFRS conversion adjustments for embedded derivatives.

## IAS 12 – Income taxes

Under Canadian GAAP, future income taxes are recognized at the time of acquisition for all assets (not just those acquired in a business combination) as an adjustment to the cost of the asset. Consequently, the carrying amount of the asset represents the minimum future cash flows necessary to recover the investment in the asset, including any associated tax consequences. Future income taxes are classified as current and non-current based on classification of the underlying assets or liabilities.

Under IFRS, the recognition of deferred tax in respect of temporary differences is required where an asset or liability results from a transaction that affects taxable or accounting profit or a business combination. The recognition of deferred tax on the initial recognition of an asset or liability in any other circumstances is prohibited. Deferred tax is classified as non-current.

The Corporation is in the process of assessing the IFRS conversion adjustments for income taxes.

## RISKS AND UNCERTAINTIES

The Corporation's operations and results are subject to various risks and uncertainties. These include, but are not limited to, the following: exploration and mining involves operational risks and hazards; mineral resources and mineral reserves are estimates only; there is no certainty that further exploration will result in new economically viable mining operations or yield new reserves to replace and expand current reserves; Uranium One cannot give any assurance that any of its development projects will become operating mines; or that any of its operations on care and maintenance will become operational; mineral rights and tenures may not be granted or renewed on satisfactory terms and may be revoked, altered or challenged by third parties; limited supply of desirable mineral lands for acquisition; risks and problems associated with integrating acquisitions; competition in marketing uranium; competition from other sources of energy and public acceptance of nuclear energy; volatility and sensitivity to uranium prices; the capital requirements to complete the Corporation's current projects and expand its operations are substantial; the integration of acquisitions; currency fluctuations; potential conflicts of interest; the Corporation's operations and activities are subject to environmental risks; government regulation may adversely affect the Corporation; the risks of obtaining and maintaining necessary licences and permits; risks associated with foreign operations including, in relation to Kazakhstan, the risk of future sulphuric acid constraints and in relation to Kyrgyzstan, the risk of continued disruption of shipments to and from external processing facilities affecting deliveries to customers and the Corporation is dependent on key personnel.

In November 2007, Kazakhstan enacted legislation giving the government the right in certain circumstances to re-negotiate previously concluded subsoil use contracts. Together with its joint venture partner, Kazatomprom, the Corporation has been reviewing the potential impact and application of this legislation. Based on these discussions, the Corporation understands that the legislation is not directed at the uranium mining industry in Kazakhstan.

Uranium One's risk factors are discussed in detail in its Annual Information Form for the year ended December 31, 2009, which is available on SEDAR at [www.sedar.com](http://www.sedar.com), and should be reviewed in conjunction with this document.

## STOCK OPTION AND RESTRICTED SHARE PLANS

Under the Corporation's stock option plan, options granted are non-assignable and may be granted for a term not exceeding ten years. The aggregate maximum number of common shares available for issuance under the stock option plan may not exceed 7.2% of the common shares outstanding from time to time on a non-diluted basis and the aggregate maximum number of common shares available for issuance to non-employee directors under the plan may not exceed 1.0% of the total number of common shares outstanding on a non-diluted basis.

Under the Corporation's restricted share plan, restricted share rights exercisable for common shares of Uranium One at the end of a restricted period, for no additional consideration, are granted by the Board of Directors in its discretion to eligible directors, officers and employees. The aggregate maximum number of common shares available for issuance under the restricted share plan is capped at three million. The number of shares available for issuance to non-employee directors may not exceed 0.5% of the total number of common shares outstanding on a non-diluted basis.

During Q1 2010 stock options and restricted share rights activity was as follows:

- 4,446,400 options were granted during the quarter.
- 69,966 options were exercised.
- 917,134 options lapsed.
- No restricted shares were exercised during the quarter and 5,500 expired.

## DISCLOSURE CONTROLS AND PROCEDURES

The Corporation's management, with the participation of its President and Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate disclosure controls. Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, including Uranium One's President and Chief Executive Officer and Chief Financial Officer, so that appropriate decisions can be made regarding public disclosure, and information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in securities legislation.

## INTERNAL CONTROLS AND PROCEDURES

The Corporation's management, with the participation of its President and Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the Chief Financial Officer, the Corporation's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

There have been no material changes in the Corporation's internal control over financial reporting during the quarter ended March 31, 2010 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

## FORWARD-LOOKING STATEMENTS AND OTHER INFORMATION

*This Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain forward-looking statements. Forward-looking statements include but are not limited to those with respect to the price of uranium, the estimation of mineral resources and reserves, the realization of mineral reserve estimates, the timing and amount of estimated future production, the timing of uranium processing facilities being fully operational, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, market conditions, corporate plans, objectives and goals, requirements for additional capital, government regulation of mining operations, the estimation of mineral resources and reserves, the realization of resource and reserve estimates, environmental risks, unanticipated reclamation expenses, the timing and potential effects of proposed acquisitions and divestitures, title disputes or claims and limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, the actual results of current exploration activities, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, possible variations in grade and ore densities or recovery rates, failure of plant, equipment or processes to operate as anticipated, possible shortages of sulphuric acid in Kazakhstan, possible changes to the tax code in Kazakhstan, accidents, labour disputes or other risks of the mining industry, delays in obtaining government approvals or financing or in completion of development or construction activities, risks relating to the integration of acquisitions, to international operations, to prices of uranium as well as those factors referred to in the section entitled "Risk factors" in Uranium One's Annual Information Form for the year ended December 31, 2009 which is available on SEDAR at [www.sedar.com](http://www.sedar.com), and which should be reviewed in conjunction with this document. Although Uranium One has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Except as required under applicable securities laws, Uranium One undertakes no obligation to update publicly or revise any forward looking statements, whether as a result of new information, future events, or otherwise.*

*Readers are advised to refer to independent technical reports for detailed information on the Corporation's material properties. Those technical reports, which are available at [www.sedar.com](http://www.sedar.com) under Uranium One's profile, and also under the profiles of UrAsia Energy and Energy Metals Corp., provide the date of each resource or reserve estimate, details of the key assumptions, methods and parameters used in the estimates, details of quality and grade or quality of each resource or reserve and a general discussion of the extent to which the estimate may be materially affected by any known environmental, permitting, legal, taxation, socio-political, marketing, or other relevant issues. The technical reports also provide information with respect to data verification in the estimation.*

*This document and the Corporation's other publicly filed documents use the terms "measured", "indicated" and "inferred" resources as defined in accordance with National Instrument 43-101 - Standards of Disclosure for Mineral Projects. United States investors are advised that while these terms are recognized and required by Canadian regulations, the SEC does not recognize them. Investors are cautioned not to assume that all or any part of the mineral deposits in these categories will ever be converted into reserves. In addition, "inferred resources" have a great amount of uncertainty as to their existence and economic and legal feasibility and it cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Investors are cautioned not to assume that all or any part of an inferred resource exists or is economically or legally mineable. Mineral resources are not mineral reserves and do not have demonstrated economic viability.*

*Scientific and technical information contained herein has been reviewed on behalf of the Corporation by Mr. M.H.G. Heyns, Pr.Sci.Nat. (SACNASP), MSAIMM, MGSSA, Senior Vice President Technical Services of the Corporation, a qualified person for the purposes of NI 43-101.*